

Message Text

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ACTION EUR-12

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E.O. 11652: N/A
TAGS: PINT, IC
SUBJECT: PEOPLE'S ALLIANCE CHAIRMAN ASKED TO FORM GOVERNMENT

REF: REYKJAVIK 1070 DTG 151629Z AUG 78

BEGIN UNCLASSIFIED

1. EVENING AUGUST 15 INDEPENDENCE PARTY (IP) CHAIRMAN GEIR HALLGRIMSSON INFORMED PRESIDENT ELDJARN THAT HE HAD ABANDONED EFFORT TO FORM MAJORITY GOVERNMENT. EXPRESSING DISAPPOINTMENT THAT SOCIAL DEMOCRATIC PARTY (SDP) HAD DECIDED TO WITHDRAW FROM THREE-PARTY TALKS, HALLGRIMSSON SAID HE DID NOT WISH TO CONTINUE HIS EFFORTS TO FORM COALITION WITHOUT SDP.

2. ON AUGUST 16, PRESIDENT ASKED PEOPLE'S ALLIANCE (PA) CHAIRMAN LUDVIK JOSEPSSON TO ATTEMPT TO FORM MAJORITY GOVERNMENT. THIS IS FIRST TIME IN ICELAND'S HISTORY THAT
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CHAIRMAN OF COMMUNIST-LED PA HAS BEEN SO DESIGNATED. IN ACCEPTING MANDATE, JOSEPSSON SAID HIS FIRST EFFORT WOULD BE TO FORM COALITION AMONG PA, DSP AND PROGRESSIVE PARTY (PP), A PARTNERSHIP WHICH SDP LEADER BENEDIKT GRONDAL WAS UNABLE TO CREATE. END UNCLASSIFIED.

3. COMMENT: EMBASSY UNDERSTANDS THAT PA

INTRAPARTY DISAGREEMENT HAS LED TO EVOLUTION IN PARTY'S STANCE RE GOVERNMENT FORMATION. AS WE HAVE PIECED PICTURE TOGETHER, JOSEFSSON HAD BEEN WILLING TO JOIN COALITION WITH DSP, PROVIDED COALITION INCLUDED PROGRESSIVE PARTY (00) AND NOT RPT NOT INDEPENDENCE PARTY (IP) AS THIRD COMPONENT. HR, AS SDP-PA-PP TALKS PROGRESSED HARD-LINE "INTELLECTUALS" BEGAN TO RAISE OBJECTION TO JOINING COALITION WITH SDP WHICH THEY WANTED TO ISOLATE FROM LEFT. HARD-LINERS SUCCESSFULLY OVERRULED JOSEFSSON WHO WAS, ACCORDING TO OUR SOURCES, FORCED TO BREAK OFF TALKS WITH SDP LEADER GRONDAL WHO THEN RETURNED HIS MANDATE TO PRESIDENT HAVING FAILED TO FORM A MAJORITY GOVERNMENT.

4. NOW, WE UNDERSTAND, LABOR WING OF PA IS MAKING ITSELF HEARD. IT HAS REPORTEDLY CALLED FOR PA NEGOTIATORS TO MODERATE PARTY DEMANDS IN ORDER TO FACILITATE FORMATION OF GOVERNMENT WHICH WOULD INCLUDE PEOPLE'S ALLIANCE. ASCENDENCY OF THIS FACTION WITHIN PA COULD MEAD THAT PARTY NEGOTIATORS WOULD BE WILLING TO BACK AWAY FROM HITHERTO INFLEXIBLE POSITIONS PAS HAS MAINTAINED, PARTICULARLY ON WAGE AND PRICE POLICY, DURING PREVIOUS TALKS.

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5. PRESIDENT'S DECISION TO GIVE MANDATE TO LUDVIK JOSEFSSON WAS, IN A SENSE, INEVITABLE. PARTY, WITH 14 SEATS, HAS EQUAL REPRESENTATION WITH SOCIAL DEMOCRATS IN 60-MEMBER ALTHING (AHEAD OF PROGRESSIVES WHO HAVE 12, AND BEHIND INDEPENDENCE PARTY WHICH HAS 20). FOR PRESIDENT TO HAVE NEXT ASKED PROGRESSIVES, WITH THEIR SMALLER REPRESENTATION, TO ENDEAVOR TO FORM NEW GOVERNMENT WOULD ALMOST CERTAINLY HAVE DRAWN HEAVY CRITICISM AS INDICATION OF PRESIDENTIAL POLITICAL BIAS FAVORING "TRADITIONAL" PARTIES.

6. WE DO NOT KNOW HOW MUCH PRESS ATTENTION CURRENT ICELANDIC POLITICAL SITUATION MAY BE ATTRACTING IN US. WE WOULD HOPE DEPARTMENT SPOKESMAN IF ASKED WOULD BE ABLE TO AVOID ANY COMMENT ON DECISION WHOSE END-RESULT IS BY NO MEANS CLEAR AND WHICH WE BELIEVE PRESIDENT ELDJARN HAD NO RECOURSE BUT TO MAKE.
BLAKE

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